

**SAVANNAH - HARDIN COUNTY
AIRPORT COMMISSION
ANNUAL FINANCIAL REPORT
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

**SAVANNAH-HARDIN COUNTY AIRPORT COMMISSION
INDEPENDENT AUDITOR'S REPORTS, FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

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**SAVANNAH-HARDIN COUNTY AIRPORT COMMISSION
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2016**

Garry Welch– Chairman

Emery White – Vice Chairman

Gerald Key – Secretary

David Long – Treasurer

Joseph Hurd

Kathy Smith

Scott Smotherman



Independent Auditor's Report

To the Board of Directors
Savannah-Hardin County Airport Commission
Savannah, Tennessee

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Savannah-Hardin County Airport Commission (the Commission) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Commission as of June 30, 2016, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial

statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 26, 2017, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Modwin & Associates, PLLC". The signature is written in a cursive, flowing style.

April 26, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Savannah-Hardin County Airport Commission's (the Commission) financial performance provides an overview of the Commission's financial activities for the year ended June 30, 2016.

USING THIS ANNUAL REPORT

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position include all assets and liabilities of the Commission using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when the cash is received or paid. These statements provide information about whether the entity is better off or worse off as a result of the year's activities. The Statement of Cash Flows provides relevant information about the cash receipts and cash payments of the Commission during the year.

Net position is the difference between the Commission's assets and liabilities. Over time, increases or decreases in net position provides one indicator of financial health.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the Commission's financial statements. The notes to the financial statements can be found on pages 10 – 13.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information concerning the Commission. This supplementary information can be found on page 14 of this report.

Comparative Data

Statement of Net Position

	2016	2015
Current and other assets	\$ 264,065	\$ 147,993
Restricted assets	204	122,917
Capital assets	5,167,237	5,508,168
Total Assets	5,431,506	5,779,078
Current Liabilities	29,109	30,181
Net Position:		
Investment in capital assets	5,167,237	5,508,168
Restricted for construction	204	122,917
Unrestricted	234,956	117,812
Total Net Position	\$ 5,402,397	\$ 5,748,897

- The Airport had an increase in current and other assets of \$116,072 from the prior year. This increase is primarily due to the increase in grant receivables of \$9,919 and an increase in cash of \$32,398 from the prior year. The decrease in restricted assets is due to the decrease in the escrow accounts.

The changes in the Commission's net position are described below:

	2016	2015
Revenues:		
Charges for fuel sales and hangar rent	\$ 184,588	\$ 217,036
Land Rent	8,068	8,068
Donations	9,600	3,700
Miscellaneous	375	606
Total Revenues	<u>202,631</u>	<u>229,410</u>
Expenses:		
Operations	<u>680,994</u>	<u>589,921</u>
Operating income (loss)	(478,363)	(360,511)
Nonoperating revenue	<u>69,591</u>	<u>76,030</u>
Increase(Decrease) in net position before capital contributions	<u>(408,772)</u>	<u>(284,481)</u>
Capital contributions	<u>62,272</u>	<u>835,682</u>
Change in net position	(346,500)	551,201
Net position at beginning of year	<u>5,748,897</u>	<u>5,197,696</u>
Net position at end of year	<u>\$ 5,402,397</u>	<u>\$ 5,748,897</u>

- The Commission had a loss of \$346,500 compared to a gain of \$551,201 in the prior year. The decrease in change in net position is mainly because of the decrease in capital contributions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets increased \$54,768 and accumulated depreciation increased by \$395,700.

At June 30, 2016, the Commission had no long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

The Commission prepares a budget before each fiscal year. Next year the budget shows total revenues of \$600,000, total cost of sales and expenses of \$290,751, and capital outlay for airport improvement projects of \$309,249. We have three capital improvement projects planned for the upcoming fiscal year. These include relocation of our fuel tanks with an estimated budget of \$100,000, emergency runway repairs with a budget of \$159,249, and tree cutting and removal in our runway approaches with a budget of \$50,000. All three projects are programmed with 95% funding coming from the State grant funds, and the remaining 5% from the commission's local share.

CONTACTING THE AUTHORITY MANAGEMENT

This financial report is designed to provide citizens, taxpayers and creditors with a general overview of the Commission's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact Montille Warren at 100 Airport Lane, Savannah, Tennessee 38372.

Montille Warren
Airport Manager

SAVANNAH-HARDIN COUNTY AIRPORT COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS

CURRENT ASSETS

Cash	\$ 219,012
Grant receivable-Department of Transportation	10,151
Inventory	34,672
TOTAL CURRENT ASSETS	<u>263,835</u>

RESTRICTED ASSETS

Cash	204
TOTAL RESTRICTED ASSETS	<u>204</u>

CAPITAL ASSETS

Land	316,511
Airport	9,291,194
Equipment	205,116
	<u>9,812,821</u>
Construction in progress	-
Less: accumulated depreciation	<u>(4,645,584)</u>
NET CAPITAL ASSETS	<u>5,167,237</u>

OTHER ASSETS

Security deposits	230
TOTAL ASSETS	<u>5,431,506</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	24,743
Accrued expenses	2,066
Security deposits	2,000
Unearned revenue - rent	300
TOTAL CURRENT LIABILITIES	<u>29,109</u>

NET POSITION

Investment in capital assets	5,167,237
Restricted for construction	204
Unrestricted	<u>234,956</u>
TOTAL NET POSITION	<u><u>\$ 5,402,397</u></u>

SAVANNAH-HARDIN COUNTY AIRPORT COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

OPERATING REVENUES

Fuel sales	\$ 123,355
Hangar and building rent	61,233
Land rent	8,068
Donations	9,600
Miscellaneous income	375

TOTAL OPERATING REVENUES	<u>202,631</u>
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OPERATING EXPENSES

Salaries	74,016
Payroll taxes	6,121
Legal and accounting	5,904
Office expense	787
Credit card processing fees	4,537
Maintenance	21,969
Utilities	11,420
Insurance	3,579
Depreciation	395,700
Telephone	3,142
Professional services	61,966
Purchased fuel	84,041
Purchased oil	304
Dues and subscriptions	534
Miscellaneous	596
Fly in expenses	3,120
Advertising	82
Travel	1,420
Automobile	1,756

TOTAL OPERATING EXPENSES	<u>680,994</u>
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OPERATING INCOME (LOSS)	<u>(478,363)</u>
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NONOPERATING REVENUES (EXPENSES)

Appropriations from City of Savannah and Hardin County	50,000
State of Tennessee - Department of Transportation	18,535
Interest income	1,056

TOTAL NONOPERATING REVENUE	<u>69,591</u>
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INCOME (LOSS) BEFORE CONTRIBUTIONS	(408,772)
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CAPITAL CONTRIBUTIONS	<u>62,272</u>
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CHANGE IN NET POSITION	(346,500)
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NET POSITION - BEGINNING OF YEAR	<u>5,748,897</u>
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NET POSITION - END OF YEAR	<u><u>\$ 5,402,397</u></u>
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SAVANNAH-HARDIN COUNTY AIRPORT COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 183,838
Other operating cash receipts	18,043
Cash payments to suppliers for goods and services	(221,317)
Cash payments to employees for services	(80,137)
NET CASH USED FOR OPERATING ACTIVITIES	<u>(99,573)</u>

**CASH FLOWS FROM NONCAPITAL AND
FINANCING ACTIVITIES:**

Intergovernmental operating grants	<u>62,478</u>
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**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Acquisitions of capital assets	(54,769)
Capital contributions	<u>58,410</u>

**NET CASH PROVIDED BY (USED FOR) CAPITAL
AND RELATED FINANCING ACTIVITIES**

3,641

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest earned	<u>1,056</u>
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NET DECREASE IN CASH

(32,398)

CASH - BEGINNING OF YEAR

251,614

CASH - END OF YEAR

\$ 219,216

**RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES**

Operating income (loss)	\$ (478,363)
Adjustments to Reconcile Operating Income To Net Cash	
Provided by Operating Activities:	
Depreciation	395,700
Changes in Assets and Liabilities:	
(Increase) decrease in inventories	(15,838)
(Increase) decrease in security deposits	300
Increase (decrease) in accounts payable	306
Increase (decrease) in accrued expenses	(628)
Increase (decrease) in deferred rent	(1,050)
NET CASH USED FOR OPERATING ACTIVITIES	<u><u>\$ (99,573)</u></u>

SAVANNAH-HARDIN COUNTY AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

1. GENERAL INFORMATION

A. GASB Conformity

The Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

B. Fund Accounting

The accounts of the Commission are organized on the basis of funds. The operations of funds are accounted for with a separate set of self-balancing accounts that comprise their assets, liabilities, net position, revenues, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The accounts in the financial statements in this report fall under one broad fund category as follows:

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Revenues are recognized when earned and expenses are recognized when incurred. The Commission has defined non-operating revenues to be revenues that are not generated from the daily operations. Capital contributions are non-operating revenues.

B. Capital Assets

All capital assets of the Commission are recorded at original cost. Expenses that materially increase values or capacities, or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred. The Commission has not adopted a capitalization threshold policy. Gains and losses from the sale of capital assets are reflected in operations and the asset accounts and related allowances for depreciation are reduced. Depreciation on capital assets is provided using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Airport	10 – 31
Equipment	5 – 20

SAVANNAH-HARDIN COUNTY AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Any interest incurred in preparing or acquiring a capital asset for use is included in its cost.

C. Cash Equivalents

Cash and cash equivalents include demand deposit accounts. Restricted cash consists of deposits held in escrow accounts to fund the Commission's local matching requirement for the ongoing authority grant projects.

D. Jointly Governed Organization

The Commission is an organization that is jointly governed by the City of Savannah and Hardin County, Tennessee. The City and the County appoint the members of the Commission's board.

E. Inventory

Inventory consists of fuel. Cost is determined using the first-in first-out method.

3. CASH AND INVESTMENTS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Commission must have a written collateral agreement approved by the board of directors or loan committee.

The Commission's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit and savings accounts. Collateral is required for demand deposits, certificates of deposits and repurchase agreements at 105% of all amounts not covered by federal deposit insurance.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission requires any bank deposits to be insured by the Federal Deposit Insurance Corporation and any deposits in excess of FDIC coverage shall be collateralized by acceptable securities pledged for said purpose and an agreement between the Bank of Deposit and the Commission shall be executed. At June 30, 2016, the Commission's deposits were not exposed to custodial credit risk due to being covered by federal depository insurance.

The Commission also has \$204 in an escrow account with the State of Tennessee.

SAVANNAH-HARDIN COUNTY AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance 7/1/2015	Additions/ Completions	Retirements/ Adjustments	Balance 6/30/2016
Capital assets not being depreciated				
Land	\$ 316,511	\$ -	\$ -	\$ 316,511
Construction in progress	52,012	-	(52,012)	-
Total capital assets not being depreciated	368,523	-	(52,012)	316,511
Capital assets being depreciated				
Airport	9,211,277	79,916	-	9,291,193
Equipment	178,253	26,864	-	205,117
Total capital assets being depreciated	9,389,530	106,780	-	9,496,310
Less accumulated depreciation for:				
Airport	(4,153,244)	(376,492)	-	(4,529,736)
Equipment	(96,640)	(19,208)	-	(115,848)
Total accumulated depreciation	(4,249,884)	\$ (395,700)	\$ -	(4,645,584)
Total capital assets, net	<u>\$ 5,508,169</u>			<u>\$ 5,167,237</u>

5. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims have not exceeded this commercial coverage in any of the past three years.

6. NET POSITION FLOW ASSUMPTION

Sometimes the Commission will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which resources are considered applied. It is the Commission's policy to considered restricted – net position to have been depleted before unrestricted – net position is applied.

Net position is displayed in three components:

- a. Investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net positions that do not meet the definition of “restricted” or “investment in capital assets.”

7. UNEARNED REVENUES - RENT

Some customers prepaid hangar rent as of June 30, 2016. The Commission has recorded the appropriate amount as deferred rent and is recognizing the rent revenue as it is earned.

**SAVANNAH-HARDIN COUNTY AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

8. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The Commission has a significant commitment on one capital improvement project to survey and clear runway approaches of encroaching trees. Included in this project is a federal mandate to conduct a study of the affected tree land for the presence of endangered Indiana bats. The total projected costs for the study and tree clearing is \$50,332 with 95% coming from State and Federal Grant funds, and the remaining 5% from the Commission's local share.

SAVANNAH-HARDIN COUNTY AIRPORT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Contract/Project Number	Disbursements/ Expenditures
<u>FEDERAL AWARDS</u>			
Department of Transportation Aeronautics Division - R/W 1/19 Survey & Approach Tree Clearing	20.106	AERO-15-226-02/36-555-0761-04	\$ 3,658
Department of Transportation Aeronautics Division - Investigation of R/W for Repair, Maintenance & Replacement	20.106	AERO-16-206-00/36-555-053-16	42,210
TOTAL FEDERAL AWARDS			<u>45,868</u>
<u>STATE FINANCIAL ASSISTANCE</u>			
Tennessee Department of Aeronautics/ Airport Maintenance FY 2015/2016	N/A	AERM-16-154-00/36-555-1652-04	\$ 18,535
Department of Transportation Aeronautics Division - Investigation of R/W for Repair, Maintenance & Replacement	N/A	AERO-16-206-00/36-555-053-16	2,345
Department of Transportation Aeronautics Division - R/W 1/19 Survey & Approach Tree Clearing	N/A	AERO-15-226-02/36-555-0761-04	10,654
Department of Transportation Aeronautics Division - Exhibit A Property Map	N/A	AERO-14-186-00/36-555-0748-04	855
TOTAL STATE AWARDS			<u>32,389</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 78,257</u>

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of Savannah-Hardin County Airport Commission under programs of the federal and state governments for the year ended June 30, 2016. The schedule is presented using the accrual basis of accounting.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Savannah-Hardin County Airport Commission
Savannah, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Savannah-Hardin County Airport Commission (the Commission) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated April 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described below that we consider to be material weaknesses.

2016 – 001 SEGREGATION OF DUTIES (original finding 99-01)

At present, there is a lack of segregation of duties in receiving cash due to the limited number of personnel.

RECOMMENDATION: In order to effectively mitigate this weakness, we recommend that the board closely monitor the financial activities on a timely basis.

MANAGEMENT'S RESPONSE: We concur.

2016 – 002 FINANCIAL STATEMENTS MATERIALLY MISSTATED

The Commission had materially misstated its financial statements. The Commission failed to record various grant receivables and accounts payable. Other adjustments were also required to correct the financial statements.

Recommendation: We recommend the Commission make the necessary adjustments to reconcile its accounts in a timely manner.

Management's Response: We agree and will correct this finding.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described below.

2016 – 003 CUSTODIAL CREDIT RISK

The Commission's deposits at one local bank were exposed to custodial credit risk during the year because they did not have enough pledged securities.

Recommendation: We recommend that the Commission enter into a formal written security agreement with the bank and its pledging agent and obtain sufficient amounts of pledged securities to cover deposits.

Management's Response: We agree and will correct this finding.

Commission's Response to Findings

The Commission's response to the findings identified in our audit is described above. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGinnis : Associates, PLLC

April 26, 2017

SAVANNAH-HARDIN COUNTY AIRPORT COMMISSION
SCHEDULE OF DISPOSITION OF PRIOR AUDIT FINDINGS
JUNE 30, 2016

Financial Statement Findings

Finding Number	Finding Title	Status
2015-001	Segregation of Duties (original finding # 1999-001)	Repeated

Federal Award Findings and Questioned Costs

There were no prior findings reported.